

## Kutxabank obtains a profit of 190.3 million euros, an increase of 21%

- One of the keys has been the evolution of the commercial activity, with a growth of 36% in the contracting of new mortgages and 28.6% in consumer loans
- The bank has assigned to companies an overall amount of 9,692 million euros, and the financing of productive investments of SMEs has grown by 44%
- The Non-performing loan ratio has fallen to 7.16%, more than 220 basis points in one year, increasing the distance it maintains with the average of the sector
- It improves the main yield ratios and maintains its solid position in solvency

**27 October 2016.** Kutxabank Group has obtained a **consolidated profit of 190.3 million euros at the end of the third quarter of 2016**, an increase of 20.7% over the same period of 2015, with a positive contribution of **CajaSur of 15.9 million euros**.

In an extremely complex environment for all the financial sector, with negative interest rates, high volatility of markets, increasing regulatory demand and a context of political instability, the Bank has succeeded in maintaining its good competitive positioning in the sector, **complies with the established forecasts**, and aligns itself with the objectives of sustainable and recurring growth marked out for the whole of the financial year.

The result is explained partly by the constant evolution of the commercial activity, with notable growth in the contracting of new financial products, mostly **lending to companies, mortgages and personal loans**, and by the increasing contribution of the **insurance business**.

The constant effort undertaken in cost reduction has also contributed to the result, **as well as the decrease of provisions and other impairments**, due to the improvement of non-performing loans. All in all, profitability indicators have maintained their growth tendency.

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## New production boosts the Interest margin

In a context in which the Euribor falls to negative values and with the impact of the renegotiation of certain floor clauses, the **interest margin** has reached **420.5 million euros**, which is in line with the Bank's forecasts as a result of the management of entry prices and the commercial impulse.

**Net commissions** have reached **257.4 million** euros, 4.5% less than in the previous year, largely as a consequence of the decrease of the fees from investment funds, strongly affected by the volatile environment of the financial markets. In this heading has again highlighted the evolution of the activity of **Means of payment**, which has grown by **8.2%**, reflecting the improvement of consumption.

The evolution of income from services has been compensated partly by the results obtained in the **insurance business**, which has **grown** by 14.5%, a development based on intense commercial activity and the positive behavior of the portfolio.

The **investment portfolio** has maintained its usual rhythm of **recurring contribution to the Group's results**. Income from dividends and from the equity method has increased to **96.8 million** euros.

## General expenditures also improve the forecasts

In line with the objectives of efficiency improvement, **General expenditures** of the Financial Group **have fallen by 6.7%** with respect to the same period in 2015, with a reduction of 8.6% in Other expenses and 5.8% of Staff costs. **Pre-provisioning profit** has reached **360 million** euros.

In an environment of positive economic evolution and reduction of non-performing assets, Kutxabank has continued to apply its usual policy of prudence, and it has made **provisions** of **191.8 million** euros, 51% less than in the first nine months of 2015.

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## Results of the Kutxabank Group, third quarter of 2016

Millions of euros	September 2016	Δ%
Net interest margin	420.5	-10.1
Net commissions	257.4	-4.5
<b>Income from customers</b>	<b>677.9</b>	<b>-8.1</b>
Income from equity instruments	96.8	92.9
Trading income	53.0	-34.5
Other Operating Income	58.7	0.7
<b>Gross Margin</b>	<b>886.4</b>	<b>-4.4</b>
General expenditures	-487.4	-6.7
Amortisations	-39.2	-3.8
<b>Pre-provisioning profit</b>	<b>359.9</b>	<b>-1.1</b>
Provisions and impairments	-191.8	-51.1
Other income	35.1	-81.2
<b>Pre-tax income</b>	<b>203.2</b>	<b>28.7</b>
<b>Net income</b>	<b>190.3</b>	<b>20.7</b>

## Positive evolution in managed Customer funds

**Customer funds have grown 3.6%**, above the forecasts, reaching **53,981 million euros**. The increase has been 3.3% in the retail network.

As has become habitual in recent months, and thanks to the good rhythm in capture, the products with the best evolution have been **investment funds and pension plans**, along with **cash deposits**, a heading whose balance has grown by **15%**.

**The Group continues to be the fourth largest Fund manager by volume of equity in investment funds, pension plans and EPSVs**

In a very convulsive context for the investment funds market, Kutxabank Gestión and Fineco have obtained **net inflows** for a value of **733 million euros**. The intense activity carried out by the Group's two management funds is above the average behavior registered by the sector, which has led to an increase of the **market share**, which has reached **5.57%**.

Adding the activity in insurance and pension products, the Kutxabank Group has obtained a **growth of 4.6% of off-balance-sheet resources** and it remains in the **fourth position by volume of managed assets** in investment funds, pension plans and EPSVs.

## The new lending for companies and families maintains its growth

The sharp increase in the contracting of financial products is proving to be the true driver of the banking business all year round. The improvement in the economic situation is reflected in the growth of demand by both **companies** and **families**, and it boosts lending, whose balances improve Bank's own forecasts and reduce **deleveraging to 3.1%**. Excluding doubtful assets, the fall is 0.9%, well below the average of the sector.

**It has channelled 9,692 million euros to corporates, and financing for productive investments of SMEs has grown by 44%**

Kutxabank has assigned a total of **9,692 million** euros to financing corporations and SMEs, whose needs are already approaching pre-crisis levels.

In fact, the balance of investment in productive fixed assets of SMEs has grown for the second consecutive quarter, thanks to the fact that new formalisations in productive lending have exceeded repayments.

The growing trend in new **lending for productive investments** of SME is already **above 44%**, and lending to **circulating capital**, linked to sales evolution, has grown by **7%** and lending for **Foreign trade** has grown by **12.6%**.

**1,317 million euros for funding home purchase loans and 214 million in consumer loans**

With an increasingly recovering demand and a real estate market showing an upward trend, the lending allocated to **home purchases** have maintained the same upward trend of recent quarters, growing 36%, above the average of the market.

During the first nine months of the year, Kutxabank has formalised almost **11,000 real estate transactions** and it has transferred to households a total volume of **1,317 million** euros for the purchase, in most cases, of a first home.

Additionally, greater confidence has been observed in society's consumption habits, increasingly interested in lending addressed to consumer spending. So far this year, Kutxabank has formalised in this type of products a total of **28.6%**.

## Key contribution of insurance

The Group's commitment to the insurance market is reflected in its **increasing contribution** to the income statement, thanks to an active commercial strategy and a positive behavior of the portfolio.

A total of **100,000 new policies** have been formalised, which means a growth of **13.4%**, enabling it to increase its market share. Notable products are Life Risk, Home and Auto, whose new premiums have risen by 35.2%, 27.6% and 5.6%, respectively.

In addition, the launch of the new Rent Protection insurance and the Health Insurance for Self-Employed Workers expand the range of products and services offered by Kutxabank.

## Nearly 18,000 clients of the Kutxabank Group already know 'Bizum'

Kutxabank has placed numerous innovative solutions at the service of its clients during the last quarter, in its commitment to the increasing use of the new technologies.

Among these, a highlight is **Bizum**, the new payment formula between mobile phones created by the banking sector. This innovative service is integrated into '**Kutxabank Pay**', which also incorporates the bank's new **Virtual Card (the free digital wallet lupay)**, and the bank's Mobile Banking service. The Kutxabank customers' response to this new 'app' has been very satisfactory, since in a single month they have made almost **18,000 registrations in Bizum**.

At the end of the quarter, Kutxabank has also launched the new Mobile Banking functionality, which allows formalising pre-granted personal loans from a mobile phone without having to attend to a branch in person and without complementary signatures.

## The principal magnitudes have continued to improve

The **non-performing loan ratio** of the Kutxabank Group has improved by more than 200 basis points, to 7.16%, with a fall of **1,066 million euros in the balance of doubtful assets** during the last twelve months.

With this decrease, it is situated more than 220 points below the average of the sector, which at the end of August showed a rate of 9.40%. Excepting the one linked to real estate developer risk, the **Group's NPL ratio** has been set in **4.5%**. Furthermore, the **residential NPL ratio** is **3.5%**.

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The Kutxabank Group maintains a solid position in solvency, with a **'phased-in' CET 1** of around **15%**, thanks to its capacity of organic generation of capital, sustained in the recurrence of results, whereas in its 'fully loaded' CET I version it rises to 14.3%.

In this way, the **ROA**, which measures return on assets, has grown to **0.43%** and the evolution of **ROE**, return on equity, has risen to **5.24%** after improving by 168 basis points in the last 12 months.

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